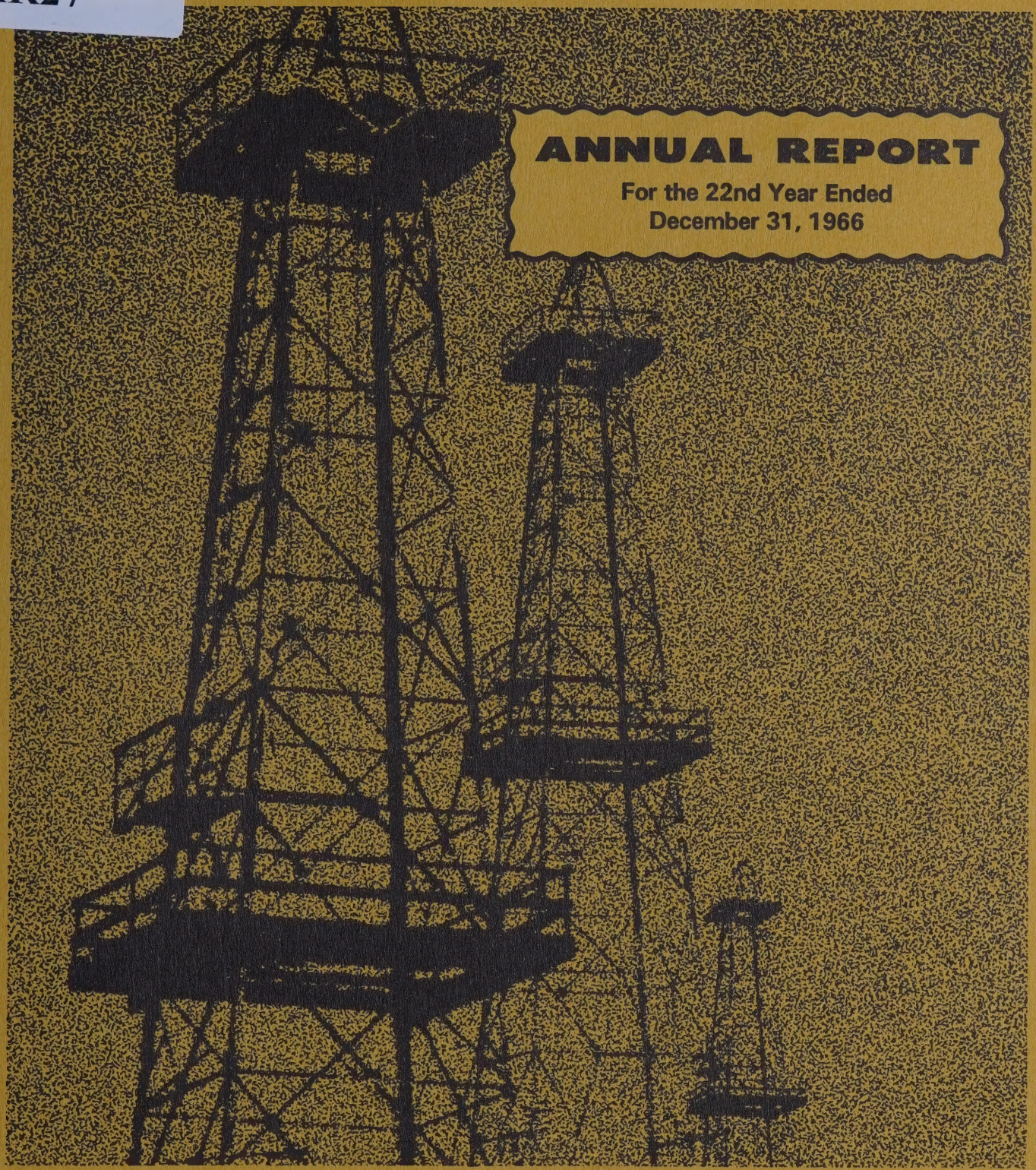
AR27



ANNUAL REPORT

For the 22nd Year Ended
December 31, 1966

PHOENIX CANADA OIL COMPANY

LIMITED

Phoenix Canada Oil Company Limited

Incorporated in Ontario, Canada November 25, 1944

Directors	S. Donald Moore	Calgary, Canada
	Everett E. Ott	Toronto, Canada
	John A. Murphy	Toronto, Canada
Officers	S. Donald Moore	President
	Everett E. Ott	Secretary-Treasurer
Registered and Operations Offices	Head Office	Suite 405; 67 Yonge Street Toronto, Ontario
	Western Canada	Suite 210; 513-8th Avenue, S.W. Calgary, Alberta
	Ecuador	1140 Avenida Colon Quito, Ecuador
	Guyana	92 Middle Street Georgetown, Guyana
Banking	The Royal Bank of Canada	
	Main Branch	Toronto, Ontario
	and	
	Main Branch	Calgary, Alberta
Stock Exchange Listing	Canadian Stock Exchange	Montreal, Quebec
Transfer Agents	Guaranty Trust Company of Canada	Toronto, Ontario
Auditor	Cecil B. Bell, C.A.	Toronto, Ontario
Capitalization	Authorized	5,000,000 shares ($1.00 par value)
Issued Capital	Common Shares	1,921,856 shares

Phoenix Canada Oil Company Limited

HEAD OFFICE
SUITE 405 • 67 YONGE STREET • TORONTO • ONTARIO

AR27

INTERIM SHAREHOLDER REPORT:

Recent trading activitiy in the Company's securities makes this interim review appropriate prior to release of the PHOENIX 1965 Annual Report, presently in preparation.

British Guiana Oil Concession Acquisition

Resulting from applications commenced in February 1965, PHOENIX received notice in March 1966 of the British Guiana Government grant of an Oil Exploration Licence covering 2600 square miles, about 1,660,000 acres, in its Takutu Basin region. The April 1966 OILWEEK reprint of a detailed geological study of the oil and gas prospects is enclosed herewith. The Company holds a 50% undivided interest in the Licence area which has an initial term of 2 years. The application was prepared by PHOENIX and Associates following 1965 publication of United Nations Technical Mission reports on the region's resource prospects.

Coincidental with our acquisition, Shell Oil announced a major 1966 oil development programme in British Guiana. During the first year of their licence, just granted, Shell is committed to a programme involving $4 million to result in the drilling of 3 wells to basement. Though drilling is now planned only for the coastal regions of the relatively small country (to become the independent nation of Guyana in May), distances are not great. This will be the first British Guiana drilling in about 20 years.

Eastern Ecuador Oil Concession

Announcements are expected momentarily on the Texaco-Gulf drilling plans for their Concession farmout block of 1,750,000 acres. Recent Texaco-Gulf wildcat successes on the Colombia-Ecuador border (SEE MAP OVERLEAF for location of the reported Rio San Miguel and Temblon commercial discoveries) apparently committed the two exploratory rigs for extensive stepout and follow-up drilling in these areas.

Of particular note are the recent 1965 Texaco and Gulf Oil Annual Reports, both favourably detailing their Colombian drilling results and the future prospects of Ecuador. Pipeline plans are stressed as well advanced. Obviously, prospects for the early marketability of developed reserves in the Putumayo Basin are improved considerably with the pipeline announcements. Of special interest is the Texaco report that at least one of the new border discoveries may be of major proportions, now designated the Puerto Colon Field.

Texaco and Gulf are now expending about $315,000 monthly in Ecuador; total expenditures since July 1965 are nearing $3 million. The team has also reported that the initial Ecuador drilling is expected before September 1966. Present indications are that a single pipeline serving both Ecuador and Colombia (maximum elevations for the Andes-Pacific crossing; Ecuador—10,000 feet; Colombia—14,000 feet) will be approved by both countries under the terms of a March 1966 frontier accord signed by both Chief Executives. Texaco-Gulf now employ 320 personnel in the exploration of our Ecuador farmout block.

At the date of this Report, a joint-venture consortium of five large U.S. independents, operating under the direction of a renowned international oil consultant of Houston, Texas, have undertaken geological, geophysical and economic investigations in Quito. Farmout negotiations were pursued by your Management covering all or part of our residual Concession acreage holdings. This tentative agreement promises that further interesting exploration will be undertaken at no cost to PHOENIX and Associates, while we retain a substantial gross royalty and/or carried net profits interest.

Canadian Arctic Islands

Final contracts have just been received covering farmout agreements on the long-term multi-million dollar exploration programme expected to maintain the PHOENIX holdings of 2,344,844 acres of varying working and gross royalty interests (30% working plus 2½% gross in 1,474,166 acres; 15%-25% working plus 2½% gross in 573,331 acres; 10% working in 287,347 acres) in good standing through to 1971. The Company will retain a carried net profits interest to 1971, with all costs borne by the farmee operators.

A new exploration and development proposal concerning the Company's Arctic holdings was made this week on behalf of another major company as operator. An even higher carried net profits interest, free of operating costs during the currency of all acreage held, is now under discussion.

Ottawa has now officially granted a moratorium through December on exploration work cash deposits originally due in June. This is expected to facilitate consideration of both farmout proposals now available to PHOENIX.

New Foreign Mineral Resource Project

Our January Interim Report stated that certain legal application or acquisition procedures had been completed on several major foreign resource development projects. Management was not then aware of the proximity of success on one of its most important applications. In February, PHOENIX, as operator, and Associates were advised by the Government concerned that their competitive development bid covering a very large proven reserve of strategic minerals was deemed to be acceptable over others in competition, and that PHOENIX was to immediately commence formal legal steps leading to long-term development contracts. Management is presently deeply involved in these procedures.

Details cannot yet be divulged. It is hoped to release particulars on the mineral reserves, contract provisions and development plans, already reasonably well advanced, by publication in the Company's June Annual Report. This project will make interesting reading for Shareholders.

Alberta Oil & Gas Reservation Acquisition

In a competitive application procedure after a recent Crown Sale, PHOENIX acquired at a favourable cost a Petroleum and Natural Gas Reservation comprising 3,840 acres in the Grande Prairie-Dawson Creek region of Northwestern Alberta (Township 74, Range 11, West 6th Mer.), a geologically promising area to witness more active exploration soon.

Financial Notes

Management is pleased to report that all recent acquisitions were accomplished without the issue or commitment of any share capital. No equity financing or share capital dilution is planned or necessary in the foreseeable future. In fact, due to improved current stock market conditions, the Company's investment of temporarily idle funds in listed, marketable securities has significantly increased in value and considerably enhances our current asset position.

Shareholders are reminded that in January 1965 all outstanding common shares were ruled exempt from the 15% tax imposed by the U.S. Interest Equalization Tax Act.

On Behalf of the Board:

by: S. DONALD MOORE, President

20 April, 1966.



EASTERN ECUADOR MAP OF PASTAZA CONCESSION

Map locating PHOENIX Pastaza Concession interests (dark shaded area — 10,750,000 acres, more or less) in Eastern (Oriente) Ecuador in relation to Texaco and Gulf Orito Field Oil discoveries. Structural contours shown (given in metres) are based on a reflection seismic horizon considered to correspond with the uppermost part of the Napo (Cretaceous) Formation. Smaller insert map locates Eastern Ecuador in relation to the Colombian Orito Field and the Peruvian Maquia and Ganso Azul Fields.

Reprinted from December, 1964 WORLD OIL
Modified to January, 1966

THE DIRECTORS' ANNUAL REPORT

To The Shareholders

The past year has seen an interesting expansion of our international interests. We remain operating manager of diversified developments in two separate South American areas; the first in Guyana oil and mineral exploration; the second, also in South America, must remain the subject of a later Special Shareholder Report because of exceedingly complex legal and financial arrangements which continue to be required.

We have now concluded farmout agreements on all oil interests held in both Eastern Ecuador and the Canadian Arctic Islands. PHOENIX retains important continuing stakes in these well-financed, long-term exploration and development programs free of any further investment.

Management policy continues to be directed towards the preparatory development of oil and mineral projects with evident major potential that offer promise of substantial capital appreciation to PHOENIX and to associated financial resources that later enter the picture. Such ventures require Management dedication and extended preparations, with commensurate Shareholder patience, over relatively long periods of time. The present promising status of our Ecuador project (since 1963) and of the Canadian Arctic Islands (since 1960) proves the efforts worthwhile. This policy has avoided capital stock dilution while maintaining a satisfactory working capital position. Your Directors are therefore particularly pleased to present the following survey of 1966 progress.

Canadian Arctic Islands

During the year the substantial PHOENIX working and gross royalty interests in 2,344,844-acres in selected areas throughout the Arctic Islands, as summarized below, were maintained unchanged, with rentals and commitments fulfilled to January 1968:

Acreage	Location	Interests Held
1,474,166 acres	North Cornwallis and West Bathurst Islands	30% working and 2½% gross royalty
298,944 acres	West Devon Island	25% working and 2½% gross royalty
147,823 acres	North Ellef Ringnes Island	25% working and 2½% gross royalty
126,564 acres	Southwest Bathurst Island	15% working and 2½% gross royalty
297,347 acres	South and Central Cornwallis Island	10% working

During the year two significant agreements concerning the long-term development of our holdings were completed. Consolidated Mining and Smelting (now Cominco) acquired operating and working control in 2,047,397-acres from our former partner, with provisions that future exploration, whether financed by Cominco or outside interests, would result in PHOENIX holding carried interests free of further costs. We also concluded a farmout to the Panarctic Group, comprising some 50 participants with 34.4-million acres in the overall Arctic play, managed by the well-known Arctic exploration consultants, J. C. Sproule and Associates of Calgary. The Panarctic farmout virtually assures PHOENIX participation in this exciting development through June 1972 without further costs through a retained carried net profits interest comprising not less than 20% of our present interests.

The Canadian Government, under the Northern Mineral Grants program, has formally undertaken to subscribe or loan up to $6,000,000 of the $30,000,000

Panarctic budget, repayable only following commercial oil production. The recent stringency in capital markets, together with the overly-publicized Carter Royal Commission recommendations tending to curtail private investment incentives in oil exploration, may result in a reduction in the initial expenditure plans to $20,000,000 but a 1967 start on field exploration seems assured.

The French Government-controlled major company, Petropar Canada Ltd., operating independently of the Panarctic Group on their nearly 17-million acre holdings, has proved the feasibility of Arctic seismic activity during a multi-million dollar 1966 field program utilizing completely air-transportable helicopter seismic rigs and camps. Their work confirmed the presence of huge formations and structures covering up to 250-square miles that one expert states "makes you think of reserves of billions of barrels of oil."

Though successful exploitation of the Arctic's oil potential will continue to require the dedication of the best brains in this industry, long noted for innovation and successful exploitation under seemingly impossible conditons, as recently as May a revolutionary Arctic transportation technique was first demonstrated and successfully tested. Expert opinion claims that a breakthrough may be near. That the rewards will surely merit the great effort necessary is affirmed by the respected opinions of Dr. J. C. Sproule, Canada's Arctic expert: "The Canadian Arctic Islands afford independent oil companies the best opportunity in the world to develop into major companies. Never before has an independent had the opportunity to become a major oil company at such low cost." He forecasts that the large indicated Arctic oil reserves would be "much easier to develop than in Western Canada, mainly because of the ease with which very large and prospective structures can be identified and delineated, due to the abundance of rock outcrop." Dr. Sproule further claims that the Arctic Islands encompass "the largest single known undeveloped oil basin in the Western Hemisphere."

Eastern Ecuador Oil Concession

The Report map locates the highly strategic 3,707,000-acre PHOENIX holdings in the Ecuador-Colombia Putumayo-Pastaza Basin, for 3 years the scene of a quietly successful and accelerating oil discovery play. In April, the largest wildcat oil discovery for South America in many years, the Texaco-Gulf Lago Agrio #1, was reported. This find, the first ever in Eastern Ecuador, and within 18 miles of our Pastaza Concession boundary, flowed (through a ½-in. choke) 2,600 bbls/day of high-grade 31°-gravity oil. Lago Agrio is now the fourth major discovery field in the Basin; at least two further potential discoveries are also reported. The area's wildcat success ratio is considered outstanding. The Texaco-Gulf team, now operating four rigs on their holdings and a fifth due soon, have just completed their 23rd producer at the original Orito discovery. Development drilling is proceeding rapidly at the other field locations.

In late May first details were released on a new Ecuador discovery, Bermejo #1, a short distance from the Lago Agrio find, and indicated as even more important. From the relatively shallow Hollin Formation at 4134 ft., this well tested 968 bbls/day of 37°-gravity oil. Further, natural gas flows of 2,560,000 and 2,520,000 cu. ft./day were encountered in two separate tests from shallower horizons. The Bermejo well is drilling ahead to the prolific zones tested at Lago Agrio.

This string of major successes has attracted many other major companies to Ecuador, including Cities Service, Superior, Burmah, as well as the Murchison

Group (which includes the Kuwait-Neutral Zone Aminol combine of Tidewater, Skelly, Getty and others). The Murchison Group has entered into a long-term development agreement on our residual Concession holdings of 2,057,000-acres which, together with the 1,650,000-acre block on farmout to Texaco-Gulf, leaves PHOENIX with a continuing long-term interest in major well-financed programs in the centre of this active, successful play. PHOENIX thus shares with its partners, Norsul Oil & Mining Ltd. of Alberta and New York, a 2% gross royalty on the 1,650,000-acre Texaco-Gulf farmout block, a 15% carried net profits interest in 1,100,000-acres and a 5% carried net profits interest in a further 960,000-acres, both latter blocks under development by the Murchison Group.

There are excellent grounds for the expectation of royalty income from our Ecuador interests in the foreseeable future. In early 1967 the Texaco-Gulf team awarded a $100-million pipeline and port development contract covering an 18-inch, 193-mile Trans-Andean pipeline from the Putumayo-Pastaza Basin to the Pacific Coast. Present designed pipeline capacity is 150,000 bbls/day. Though completion is set for 1969, it seems clear that if new field discoveries continue at the present rate, pipeline capacity may well be increased before construction starts. An international protocol between Colombia and Ecuador has ensured that oil production from both nations can be marketed through the single pipeline.

At the Report date, we are advised that the first well on our holdings will be drilling in June. Unofficial advices indicated that the seismic structure on which this test is planned is one of the largest yet found in the Basin. It is further reported that the Murchison Group has completed a substantial cash purchase of certain essential existing seismic data from the Texaco-Gulf team and are prepared to commence their own exploratory effort immediately.

To record for Shareholders the history of the PHOENIX participation in the original Pastaza Concession Contract (dated 18 August 1961), an extended series of legal agreements with Norsul dating from May 1963 through April 1964 resulted in PHOENIX acquiring a 60% undivided interest in the joint Ecuador operating subsidiary, Minas y Petroleos del Ecuador S.A., such 60% interest being limited to the oil assets of that subsidiary. From time to time since 1963 PHOENIX and our associates provided the essential funds to fulfill necessary Ecuador Government tax and work commitments under the Concession Contract. PHOENIX Management further developed the basic farmout and exploration agreements with both the Texaco-Gulf team and the Murchison Group. These agreements were then concluded with the competent legal and technical assistance of Norsul Management in Ecuador. In accordance with the original Pastaza Concession Contract, certain selected acreage, relatively inaccessible and geologically-unknown, was relinquished in 1965-66 and then made available to other operating companies by the Ecuador Government. Our subsidiary operation therefore retains approximately 3,707,000-acres which are expected to be fully maintained in good standing and actively explored for many years to come at no cost to the partnership. Since for legal convenience the Murchison Group now operates through the Minas entity itself, we are taking steps to sever the PHOENIX 60% participation in all gross royalty and carried interests, cash and other Ecuador assets held jointly with Norsul to permit independent action with these properties when deemed desirable in the future.

Guyana Operations

Since our initial applications of February 1965 and commencement of formal acquisition procedures in March 1966, the Company has developed the terms of an Oil Exploration Licence with the Guyana Government covering the Takutu Basin comprising 2,600-square miles — over 1,600,000-acres—in which PHOENIX holds

a 50% undivided interest during the initial two-year term. The geological basis of the application was a United Nations Technical Mission Report on the new nation's oil potential. The Takutu Basin, located at the Brazilian border about 200 miles south of the national capital of Georgetown, is reported to hold sedimentary deposits to depths of 20,000 ft. Field operations, including a possible program with Petrobras, the Brazilian state oil agency, are pending completion of final Licence arrangements. Guyana, as a new nation, is still drafting its Oil Code specifying conditions governing exploration of its prospective interior regions.

Favourable existing laws have encouraged an active Guyana coastal and offshore oil play. Shell Oil has just completed six onshore stratigraphic tests while Continental-Tenneco are presently drilling offshore, northeast of Georgetown. Industry interest has been aroused by the first Guyana Coastal Basin oil discoveries in neighbouring Surinam (Dutch Guiana) where four producing shallow wells (at 600 ft.) are completed a few miles east of the Guyana border.

PHOENIX has also acquired 50% of a 10,450-acre mining concession (designated an "Exclusive Permission") in the Eagle Mountain molybdenum-gold-cobalt region about 100 miles south of Georgetown. The original discoveries, made by the Guyana Geological Survey, were followed by reportedly promising shallow drilling by Amax Exploration, a subsidiary of American Metal Climax, operating on holdings adjoining our Exclusive Permission.

Protracted political negotiations covering the proposed Caribbean Free Trade Area (CARIFTA) have deferred final Government consideration of the competitive oil refinery-fertilizer plant proposals submitted by several international companies, including that of PHOENIX and its associates.

New Foreign Resource Development Project

In February 1966 PHOENIX, as operator, and associated companies were advised by the Government concerned that our development proposals submitted on a formal 1964 Invitation to Bid were deemed the most favourable tendered following a two-year international competition. The Invitation to Bid covered large strategic mineral reserves which had been withdrawn from private development since 1939 in a National Fiscal Reserve. Discoveries in recent years of otherwise unmarketable hydrocarbon fuel resources, accessible to these extremely large mineral reserves, considerably improved the economics of development; heretofore deferred because of high cost transportation and marketing factors.

The formal legal procedures prerequisite to long-term development contracts have been exceedingly complex. Our original development proposals have since been expanded to include the provision of hydrocarbon fuels within the overall project. Complex international understandings to ensure efficient, low cost, transportation facilities must also be negotiated. Further, the broad scale financial planning obviously necessary in a project of this scope must be developed to the point where all the underyling agreements take into account the practical economics of available long-term financing, potential markets and their profitability and, of overriding importance, feasible investment amortization and return on invested capital.

Your Management, together with strong financial associates, have made considerable progress in developing the feasibility of the critical extraction, processing, transportation, marketing and overall financing phases of the project. To date, project expenditures and performance bond deposits of the PHOENIX associates aggregate

over $300,000. While overall details cannot yet be divulged pending completion of certain complex legal documentation still in process, it is expected that a later comprehensive Special Shareholder Report will make interesting reading. At this Report date, several U.S. operating subsidiaries are in organization to ensure that certain of the ultimate project financing arrangements qualify under the applicable U.S. investment guaranty and loan programs for Latin America.

Alberta and Manitoba Interests

PHOENIX retains a 2½% gross royalty interest in 12,669 lease acres in the Clear Hills area of Northwestern Alberta, within 18 miles of the Boundary Lake Oil Field. This lease block is operated by French Petroleum at no cost to us.

Following a field geophysical program on our large Carman, Central Manitoba oil and gas Reservation, the Company selected to lease 5,920-acres covering the prime structural features located during this program. This acreage is maintained in good standing pending further regional development.

The Company continues to maintain its Snow Lake, Manitoba gold prospect in good standing. The property comprises 18 patented Mining Leases adjoining the former producing Nor-Acme Gold Mines. If the mooted gold price increase materializes, this property will attract considerable interest.

Exemption — 22½% U.S. Interest Equalization Tax

It is of continued critical interest to our present and prospective U.S. Shareholders that all outstanding PHOENIX common shares are exempt from the provisions of the 22½% Interest Equalization Tax as imposed by Section 4911 of the Internal Revenue Code (U.S. Public Law 88-563).

Financial Notes

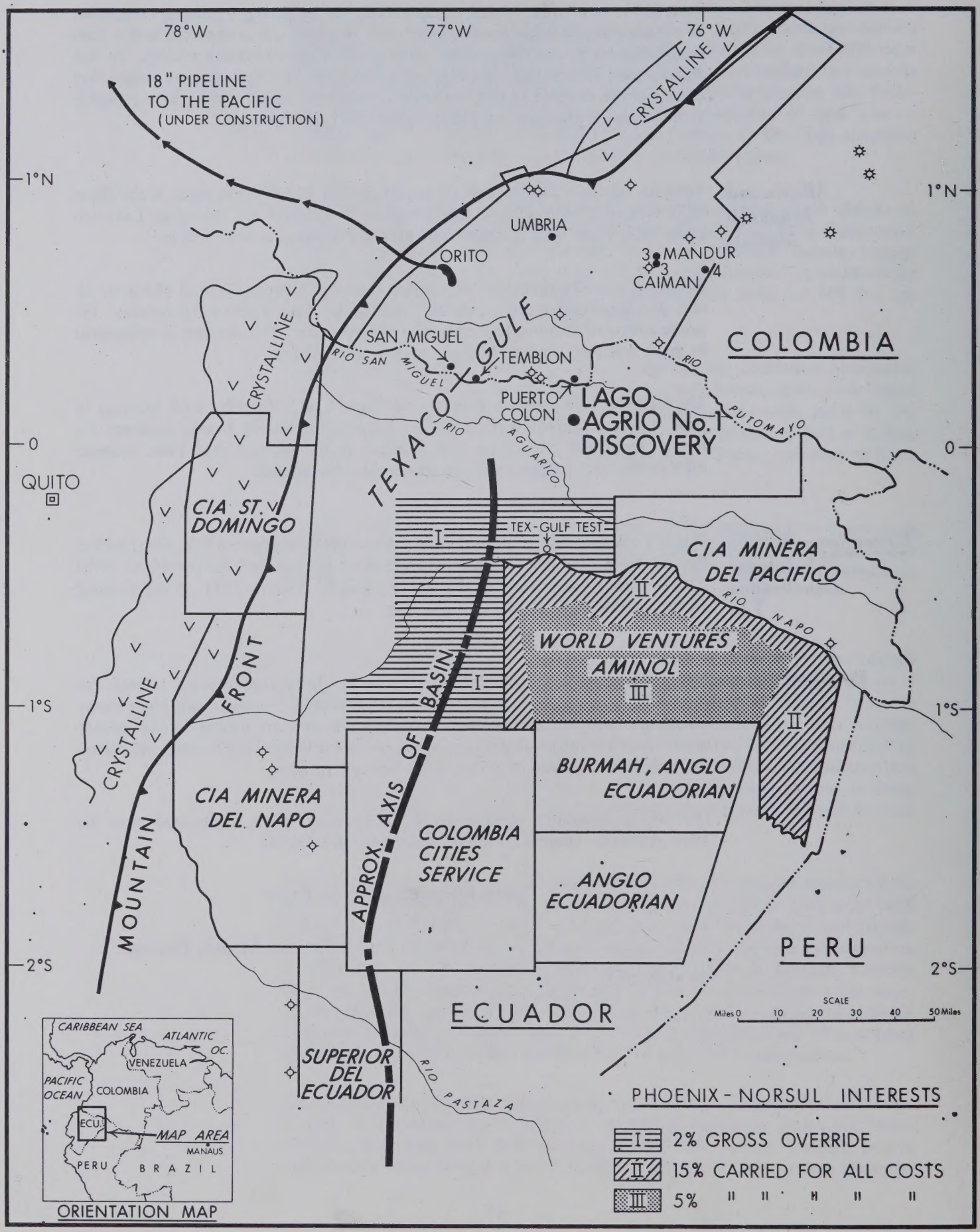
The 1966 expansion of Company interests has been accomplished without the further issue or commitment of common share capital. No senior nor other equity financing is currently planned nor does any common share capital dilution appear necessary in the foreseeable future. Our present working capital position will permit undiminished Company activity during the ensuing year.

Our sole capitalization remains 1,921,856 common shares, unchanged from the 1965 year-end. There is no senior equity nor funded debt.

Submitted on Behalf of the Board:

S. DONALD MOORE, *President.*

29 May 1967


78°W
77°W
76°W
1°N
0
1°S
2°S
18" PIPELINE
TO THE PACIFIC
(UNDER CONSTRUCTION)
CRYSTALLINE
UMBRIA
ORITO
3 MANDUR
3 CAIMAN 4
COLOMBIA
SAN MIGUEL
RIO SAN MIGUEL
TEMBLON
PUERTO COLON
LAGO AGRIO No.1 DISCOVERY
TEXACO GULF
RIO PUTOMAYO
RIO AGUARICO
QUITO
CIA ST. DOMINGO
TEX-GULF TEST
CIA MINERA DEL PACIFICO
RIO NAPO
WORLD VENTURES, AMINOL
I
II
III
FRONT
MOUNTAIN
APPROX. AXIS OF BASIN
CIA MINERA DEL NAPO
BURMAH, ANGLO ECUADORIAN
COLOMBIA CITIES SERVICE
ANGLO ECUADORIAN
PERU
ECUADOR
SUPERIOR DEL ECUADOR
RIO PASTAZA
SCALE
Miles 0 10 20 30 40 50 Miles
CARIBBEAN SEA
ATLANTIC OC.
VENEZUELA
PACIFIC OCEAN
COLOMBIA
ECU.
MAP AREA
MANAUS
PERU
BRAZIL
ORIENTATION MAP
PHOENIX - NORSUL INTERESTS
I 2% GROSS OVERRIDE
II 15% CARRIED FOR ALL COSTS
III 5% " " " " "

Phoenix Canada Oil Company Limited

Balance Sheet — 31st December, 1966.
(with comparative figures for the previous year)

ASSETS

	1966	1965
CURRENT:		
Cash in Banks	$ 61,791.71	$ 26,190.13
Deposit Receipt	16,000.00	—
Marketable Securities, at cost (Market Value - $8,575.00 — 1965 - $98,164.50) (Note No. 1)	15,562.87	68,643.84
Accounts and Notes Receivable	10,058.07	8,733.95
Accrued Interest	1,104.71	288.54
	$104,517.36	$103,856.46
DEPOSITS:		
Government of Canada Bond, at cost (Market Value - $850.00 — 1965 - $892.50) (Note No. 2a)	$ 938.75	$ 938.75
Recoverable Performance Bonds (Note No. 2b)	8,800.00	6,000.00
	$ 9,738.75	$ 6,938.75
FIXED:		
Interests in Petroleum and Natural Gas Rights, Permits and/or Leases (Note No. 3)	$ 48,662.66	$ 48,662.66
Mining Properties	115,001.00	115,001.00
	$163,663.66	$163,663.66
DEFERRED:		
Organization Expenses	$ 3,769.98	$ 3,769.98
Exploration, Development and Administration Expenses per Schedule "A"	212,866.60	209,662.49
	$216,636.58	$213,432.47
Total Assets	$494,556.35	$487,891.34

LIABILITIES

	1966	1965
CURRENT:		
Accounts Payable and Accrued Expenses	$ 2,136.37	$ 3,437.23
Owing to Broker re purchase of marketable securities (Note No. 1)	3,944.70	28,842.60
	$ 6,081.07	$ 32,279.83
CAPITAL:		
Authorized: $5,000,000.00 divided into 5,000,000 shares of $1.00 each		
Issued — Fully Paid:		
1,921,856 shares of $1.00 each	$ 1,921,856.00	$ 1,921,856.00
Less: Discount thereon	1,661,495.80	1,661,495.80
	$260,360.20	$260,360.20
71,000 shares to be issued of $1.00 each (Notes No. 4 & 5)	$ 71,000.00	$ 40,000.00
Less: Discount thereon	27,350.00	20,000.00
	$ 43,650.00	$ 20,000.00
Total Capital	$304,010.20	$280,360.20
Surplus per Schedule "B"	$184,465.08	$175,251.31
Total Liabilities, Capital and Surplus	$494,556.35	$487,891.34

See Note No. 5 re Management Incentive Stock Option Plan.

The Notes attached hereto form an integral part of this Balance Sheet.

Approved on Behalf of the Board:

S. DONALD MOORE,
Director.

E. E. OTT,
Director.

Phoenix Canada Oil Company Limited

Notes to Balance Sheet @ 31st December, 1966.

Note No. 1 The securities are subject to an amount of $3,944.70 owing to a Broker and which is shown under Current Liabilities. The securities are held by the Broker.

Note No. 2 These consist of:

(a) $1,000 Government of Canada Bond — 4½% 1983 deposited with the securities authorities in the Province of Quebec.

(b) These consist of Performance Bond Deposits with the Provinces of Alberta and Manitoba. They have been refunded since the date of the Balance Sheet.

Note No. 3 PHOENIX holds a 60% undivided interest in the Ecuador operating subsidiary obtained through a series of agreements from May 1963 through April 1967.

Note No. 4 Included under share capital to be issued is 40,000 shares which are to be issued at a discount of 50% as consideration for the 1965 acquisition of 15 Arctic Island Permits aggregating 493,215 acres and $25,000 Government of Canada 3% Perpetuals. The bonds were sold in 1965.

Note No. 5 The Company has reserved 100,000 shares of its capital stock for the purpose of granting Management Incentive Stock Options to personnel engaged in the exploration and development of the Ecuador Concession and it will grant such options to such personnel at a price of not less than 50¢ per share nor less than 20% under the market price prevailing at the time such options were granted, such options to extend over a three year period and to expire no later than 30th June, 1969. There has been an allocation of these shares and to date options on 31,000 shares have been exercised.

These notes form an integral part of the Financial Statements.

Auditor's Report

To the Shareholders of
PHOENIX CANADA OIL COMPANY LIMITED:

I have examined the Balance Sheet of Phoenix Canada Oil Company Limited as at 31st December, 1966 and the Statements of Deferred Exploration, Development and Administration Expense and Surplus for the period ended on that date. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. In my opinion the accompanying Balance Sheet with the related notes, and Statements of Deferred Exploration, Development and Administration Expense and Surplus present fairly the financial position of the Company as at 31st December, 1966 and the results of its operations for the period under review, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario.
26th May 1967.

CECIL B. BELL,
Chartered Accountant.

Phoenix Canada Oil Company Limited

SCHEDULE "A"

Exploration, Development and Administration Expenses
For the Year Ended 31st December, 1966.
(with comparative figures for the previous year)

	1966	1965
EXPLORATION AND DEVELOPMENT — MINING CLAIMS		
Government Fees and Taxes	$ 205.00	$ 360.00
EXPLORATION AND DEVELOPMENT — OIL AND GAS LEASES		
Geological Reports	$ 375.00	$ 1,081.44
General Office Expense	245.79	714.84
Legal Fees	—	360.00
Telephone and Telegraph	124.99	511.12
Travel Expense	522.18	2,388.32
	$ 1,267.96	$ 5,055.72
ADMINISTRATION AND GENERAL		
Bank Charges	$ —	$ 9.51
General Office Expenses	728.37	399.84
Government Fees	(17.46)	276.83
Legal and Audit	740.00	600.00
Registrars' Fees	979.23	633.93
Telephone and Telegraph	499.96	255.56
Shareholders' Information	1,709.52	1,183.00
Travel Expense	522.19	796.10
Secretarial Services	878.65	824.04
Executive and Administration Expense	—	1,261.45
Rent	170.00	720.00
Listing Fees and Expenses	100.00	100.00
Interest Charges	818.62	1,596.00
	$ 7,129.08	$ 8,656.26
Less: Dividends Received	201.25	386.43
Interest Earned	1,984.20	2,028.06
	$ 4,943.63	$ 6,241.77
Less: Shares of Expenses to be received	3,212.48	—
	$ 1,731.15	$ 6,241.77
Total for Year	$ 3,204.11	$ 11,657.49
Add: Accumulated Expenses to end of previous year	209,662.49	198,005.00
Total Expense per Balance Sheet	$212,866.60	$209,662.49

SCHEDULE "B"

Statement of Surplus
For the Year Ended 31st December, 1966.
(with comparative figures for the previous year)

	1966	1965
Balance at beginning of year	$175,251.31	$149,116.49
Add: Profit on sale of investments during the year	9,213.77	26,134.82
Balance at end of year	$184,465.08	$175,251.31